

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name UP REGION OF LIBRARY COOPERATION	County MARQUETTE
Fiscal Year End 9/30/06	Opinion Date 01/10/07	Date Audit Report Submitted to State 2-22-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

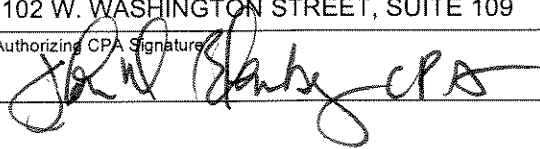
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>	ALREADY SUBMITTED		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO COMMENTS AND RECOMMENDATIONS LETTER WAS ISSUED		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) ANDERSON, TACKMAN & COMPANY, P.L.C.		Telephone Number 906-225-1166		
Street Address 102 W. WASHINGTON STREET, SUITE 109		City MARQUETTE	State MI	Zip 49855
Authorizing CPA Signature 		Printed Name JOHN W. BLEMBERG		License Number 1101010180

**UPPER PENINSULA REGION OF
LIBRARY COOPERATION, INC.**

**FINANCIAL STATEMENTS AS OF
September 30, 2006**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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GREEN BAY
MILWAUKEE

INDEPENDENT AUDITOR'S REPORT

Upper Peninsula Region of Library Cooperation, Inc.
Executive Board
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities and each major fund of Upper Peninsula Region of Library Cooperation, Inc. as of and for the year ended September 30, 2006, which collectively comprise the Upper Peninsula Region of Library Cooperation, Inc.'s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Upper Peninsula Region of Library Cooperation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Upper Peninsula Region of Library Cooperation, Inc. as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2007, on our consideration of the Cooperation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Upper Peninsula Region of Library Cooperation, Inc.
Executive Board
Marquette, Michigan 49855

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Upper Peninsula Region of Library Cooperation, Inc.'s basic financial statements. The individual fund financial statements listed as Other Supplemental Financial Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

January 10, 2007

**Upper Peninsula Region of Library Cooperation, Inc.
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of the Upper Peninsula Region of Library Cooperation, Inc.'s financial performance provides an overview of the Cooperation's financial activities for the year ended September 30, 2006. Please read it in conjunction with the financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the Cooperation as a whole were reported at \$227,933. Net assets are comprised of 100% governmental activities. This represents a decrease of \$24,530 from prior year when net assets were reported at \$252,463.
- During the year, the Cooperation's total expenses were \$266,795, while revenues from all sources totaled \$242,265 resulting in a decrease in net assets of \$24,530.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 11) provide information about the activities of the Cooperation as a whole and present a longer-term view of the Cooperation finances.

Reporting the Cooperation as a Whole

One of the most important questions asked about the Cooperation's finances is "Is the Cooperation as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Cooperation as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Cooperation's *net assets* and changes in them. You can think of the Cooperation's net assets - the difference between assets and liabilities - as one way to measure the Cooperation's financial health, or *financial position*. Over time, *increases or decreases* in the Cooperation's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Cooperation's operating base and the condition of the Cooperation's capital assets, to assess the *overall financial health* of the Cooperation.

In the Statement of Net Assets and the Statement of Activities, we report all of the Cooperation's activities as governmental activities. Federal and State grants along with contracted revenues finance most of these activities.

Reporting the Cooperation's Most Significant Funds

The Cooperation only reports one fund which is the General Fund. The fund financial statements are reported in combination with the government-wide financial statements beginning on page 9. The General Fund, a governmental fund, is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Cooperation's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Cooperation's program.

Upper Peninsula Region of Library Cooperation, Inc.
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliations which follows each of the Statement of Net Assets and Statement of Activities.

Upper Peninsula Region of Library Cooperation, Inc. as a Whole

Table I provides a summary of the Cooperation's net assets as of September 30, 2006 and 2005.

Table 1
Net Assets

	2006	2005
Current and other assets	\$176,847	\$168,871
Capital assets, net	<u>95,632</u>	<u>119,230</u>
Total Assets	<u>272,479</u>	<u>288,101</u>
Current liabilities	42,610	34,939
Noncurrent liabilities	<u>1,936</u>	<u>699</u>
Total Liabilities	<u>44,546</u>	<u>35,638</u>
Net Assets:		
Invested in capital assets	95,632	119,230
Unrestricted	<u>132,301</u>	<u>133,233</u>
Total Net Assets	<u>\$227,933</u>	<u>\$252,463</u>

Net assets of the Cooperation's governmental activities stood at \$227,933. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$132,301.

The \$132,301 in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Cooperation as a whole are reported in the Statement of Activities (See Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

Table 2
Changes in Net Assets

	2006	2005
Program revenues:		
Charges for services	\$211,474	\$230,490
Sale of Services – Rebilled	18,657	-
Operating grants and contributions	7,619	7,830
General revenues:		
Interest earnings	3,099	2,955
Loss on disposal of assets	-	(13,790)
Miscellaneous	<u>1,416</u>	<u>6,450</u>
Total Revenues	<u>242,265</u>	<u>233,935</u>
Program Expenses:		
Library services	247,310	223,889
Rebilled services	18,657	
Capital outlay	<u>828</u>	<u>18,858</u>
Total Expenses	<u>266,795</u>	<u>242,747</u>
Change in net assets	(24,530)	(8,812)
Net assets, beginning	<u>252,463</u>	<u>261,275</u>
Net Assets, Ending	<u>\$227,933</u>	<u>\$252,463</u>

Upper Peninsula Region of Library Cooperation, Inc.
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Cooperation's total revenues were \$242,265. The total cost of all programs and services was \$266,795, leaving a decrease in net assets of \$24,530 as a result of fiscal year 2006 operations. This decrease in net assets was mostly due to an increase in the amount that depreciation expense for equipment exceeded capital outlays (\$23,598). The UPRLC's General Fund Balance for Administration had negative operating expenses over revenues. The Board is aware that this fund balance is being reduced each year.

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.'S FUNDS

As the UPRLC completed the year, its General Fund, which includes the UPRLC General Fund for Administration and the Automated Services Fund, reported a fund balance of \$134,239 with an increase of \$305 from the beginning of the year. This increase was mainly the result of slightly lower expenditures than anticipated.

General Fund Budgetary Highlights

The UPRLC General Fund includes the Automated Library Services Fund and the General Fund for Administration. Final projected revenues for the Automated Library Services fund were \$213,000 and final projected expenses were \$213,000, resulting in a projected balanced budget for operations. Actual results were total revenues of \$230,991 and total expenditures of \$227,593, resulting in revenues exceeding expenditures by \$3,387. Actual Expenditures include the final milestone payment to the SIRSI Corporation for a new integrated library system. Projected revenues and expenditures did not include revenues or expenditures for items re-billed to libraries for optional products or the expenditure for the final SIRSI milestone payment, which was projected to be paid out of the Automated Library Services Fund Balance, rather than out of the projected operating budget. Also, the maintenance expenditure line item was half the projected cost because SIRSI set up a bi-annual payment schedule, instead of a full year payment. UPRLC paid for six months of maintenance in fiscal year 2006.

The UPRLC General Fund for Administration projected revenues were \$11,200 and projected expenditures were \$19,910, resulting in a projected decrease in the General Fund Balance for Administration of \$8,710. Actual results were negative \$3,052 operating expenses over revenues, or \$5,658 lower than projected results because of a decrease in the costs for continuing education activities and lower bookkeeping costs charged to the UPRLC General Fund for Administration.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006, the Cooperation had \$96,532 invested in equipment. (See table 3 below)

Table 3
Capital Assets at Year-End

	2006	2005
Equipment	\$163,560	\$ 163,560
Accumulated depreciation	(67,928)	(44,330)
Totals	<u>\$96,532</u>	<u>\$119,230</u>

Debt

The Cooperation has no outstanding debt at year-end.

Upper Peninsula Region of Library Cooperation, Inc.
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for next year, the Board has projected a balanced budget for the Automated Library Services Fund, and anticipates the fund balance will remain the same. The Board anticipates the UPRLC General Fund for Administration will decrease by about the same amount as fiscal year 2006.

CONTACTING THE COOPERATION FINANCIAL MANAGEMENT

This financial report is designated to provide our customers, investors and creditors with a general overview of the Cooperation's finances and to show the Cooperation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cooperation Administrator at Upper Peninsula Region of Library Cooperation, Inc., 1615 Presque Isle Avenue, Marquette, Michigan 49855

Upper Peninsula Region of Library Cooperation, Inc.
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

CONTACTING THE COOPERATION FINANCIAL MANAGEMENT

This financial report is designated to provide our customers, investors and creditors with a general overview of the Cooperation's finances and to show the Cooperation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cooperation Administrator at Upper Peninsula Region of Library Cooperation, Inc., 1615 Presque Isle Avenue, Marquette, Michigan 49855

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.
Statement of Net Assets and
Governmental Funds Balance Sheet
September 30, 2006

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 165,509	\$ -	\$ 165,509
Accounts receivable	11,338	-	11,338
Capital assets	-	163,560	163,560
Accumulated depreciation	-	(67,928)	(67,928)
TOTAL ASSETS	\$ 176,847	95,632	272,479
LIABILITIES			
Accounts payable	\$ 1,064	-	1,064
Due to members	12,846	-	12,846
Deferred revenue	27,379	-	27,379
Prepaid Maintenance - Libraries	1,321	-	1,321
Long-term liabilities:			
Accrued sick leave	-	1,936	1,936
TOTAL LIABILITIES	42,610	1,936	44,546
FUND BALANCE/NET ASSETS			
Fund Balance:			
Designated - UPRLC Continuing Education	3,000	(3,000)	-
Designated - Sick leave	1,936	(1,936)	-
Unreserved and undesignated-UPRLC General	22,754	(22,754)	-
Unreserved and undesignated-ALS General	106,547	(106,547)	-
TOTAL FUND BALANCE	134,237	(134,237)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 176,847		
Net Assets:			
Invested in capital assets, net of related debt		95,632	95,632
Unrestricted		132,301	132,301
TOTAL NET ASSETS		\$ 227,933	\$ 227,933

The accompanying notes to financial statements are an integral part of this statement.

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

Total Fund Balances for Governmental Funds	\$	134,237
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

	Cost of capital assets	163,560	
	Accumulated depreciation	<u>(67,928)</u>	
			95,632

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of
accrued sick leave.

(1,936)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

	<u>\$</u>	<u>227,933</u>
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The accompanying notes to financial statements are an integral part of this statement.

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.
Statement of Activities and
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance
For the year ended September 30, 2006

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Library services	\$ 222,475	\$ 24,835	\$ 247,310
Rebilled services	18,657	-	18,657
Capital outlay	828	-	828
	<u>241,960</u>	<u>24,835</u>	<u>266,795</u>
Total Expenditures/Expenses			
Program Revenues:			
Charges for services	211,474	-	211,474
Sale services - Rebilled	18,657	-	18,657
Operating grants and contributions	7,619	-	7,619
	<u>237,750</u>	<u>-</u>	<u>237,750</u>
Total Program Revenues			
Net Program Expense			<u>29,045</u>
General Revenues:			
Interest income	3,099	-	3,099
Miscellaneous	1,416	-	1,416
	<u>4,515</u>	<u>-</u>	<u>4,515</u>
Total General Revenues			
Excess of Revenues over Expenditures	305	(305)	-
Change in Net Assets		24,530	(24,530)
Fund Balance/Net Assets:			
Beginning of the year	<u>133,932</u>	<u>147,315</u>	<u>252,463</u>
End of the year	<u>\$ 134,237</u>	<u>\$ 171,540</u>	<u>\$ 227,933</u>

The accompanying notes to financial statements are an integral part of this statement.

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the year ended September 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	305
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	23,598	
Capital outlays	<u>-</u>	(23,598)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(1,237)

Change in Net Assets of Governmental Activities

\$ (24,530)

The accompanying notes to financial statements are an integral part of this statement.

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The operations of the Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation) are accounted for with a separate set of self-balancing accounts. The accounting policies of the Cooperation conform to generally accepted accounting principles as applicable to governments and the following is a summary of the more significant policies:

BASIS OF PRESENTATION

During the year the Cooperation adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Cooperation as a whole. They include all governmental activities which are generally financed through State sources, charges for services, and other revenues. Equity is classified as net assets and displayed in three components – invested in capital assets, restricted, and unrestricted.

Fund Financial Statements:

The accounts of the Cooperation are organized on the basis of funds. The operations of the Cooperation's only fund, the General Fund, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The General Fund is a governmental fund and it is used to account for all financial resources of the Cooperation.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. The General Fund governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable resources at the end of the period.
- b. The government-wide statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Government –wide fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are generally recognized when the related fund liability is incurred.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Cash and Equivalents

The Cooperation’s cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

Capital Assets

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The Cooperation defines capital assets as assets with an initial, individual cost of more than \$1,000.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Equipment	3 – 20 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

Compensated Absences

The Cooperation's policies regarding compensated absences permits employees to accumulate earned but unused sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Revenues

In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Cooperation's policy to use the restricted resources first.

Expenses/Expenditures

In the government-wide Statement of Activities, expenses are segregated by activity and are classified by function. In the governmental fund statements, expenditures are classified by character such as current operations and capital outlay.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – ORGANIZATIONAL PURPOSE:

The Upper Peninsula Region of Library Cooperation, Inc. was formed for the purpose of facilitating the sharing of information resources among the libraries of the Upper Peninsula, and to enable them to interact with other regional and national electronic bibliographical communication systems. Memberships at present consist of 104 libraries.

NOTE C – INCOME TAX STATUS:

The Internal Revenue Service has ruled the Cooperation qualifies under Section 501(c)3 of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws.

NOTE D - ACCRUED SICK LEAVE:

The entity records on the government-wide Statement of Net Assets the accrued liability arising from accumulated vested sick leave which is payable to entity employees when they separate from employment. The employees are compensated for sick leave on a scale based on years of service with the Cooperation. The entity's sick leave policy provides for up to one-half of an employee's accumulated sick leave hours to be paid to the employee if they have worked with the entity for at least 8 years. For employees with less than 8 years of service, sick leave payable upon separation ranges from 10%-40% depending on the number of years employed with the Cooperation. The Cooperation has a management contract with the Superiorland Library Cooperative that includes personnel. The non-current portion of accumulated sick leave payable as of September 30, 2005 and 2004 is as follows:

	<u>2006</u>	<u>2005</u>
Sick Leave	<u>\$1,936</u>	<u>\$699</u>

NOTE E - DEFERRED REVENUES/DUE TO MEMBERS:

Certain member libraries participating in the automated library system (ALS) are being assessed operational fees. Monies collected in advance are being recorded as deferred revenues. The purpose of this project is to facilitate the sharing of information resources among the participating libraries.

Deferred Revenue – Peter White	\$17,881
Deferred Revenue – Manistique	3,715
Deferred Revenue – Gladstone	5,146
Deferred Revenue – Sault Schools	<u>637</u>
Deferred Revenue at September 30, 2006	<u>\$27,379</u>

Due to Members represents undistributed monies held on behalf of members.

Due to Sault HS	\$411
Due to REMC I	32
Due to Menominee	50
Due to L'Anse Lib	1,463
Due to LSSU	3,703
Due to Calumet	2,573
Due to Gladstone	654
Due to Spies	2,655
Due to Carp Lake	413
Due to Gogebic	120
Due to Houghton	<u>772</u>
Due to Members at September 30, 2006	<u>\$12,846</u>

NOTE F – DEPOSITS AND INVESTMENTS:Cash and Equivalents

The Cooperation's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Money market and savings accounts	\$	61,585
Checking accounts		27,313
Certificates of deposit		<u>76,611</u>
TOTAL	\$	<u>165,509</u>

Custodial Credit Risk.

Custodial credit risk is the risk that in the event of a bank failure, the Cooperation's deposits may not be returned. State law does not require and the Cooperation does not have a policy for deposit custodial credit risk. As of September 30, 2006, the Cooperation did not have cash and equivalents which were uninsured and uncollateralized.

The Cooperation has no investments at September 30, 2006.

NOTE G – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2006 is as follows:

	Balance 9-30-05	Additions	Retirements	Balance 9-30-06
Asset Cost:				
Equipment	<u>\$163,560</u>	<u>-</u>	<u>-</u>	<u>\$163,560</u>
Total Asset Cost	<u>163,560</u>	<u>-</u>	<u>-</u>	<u>163,560</u>
Accumulated Depreciation:				
Equipment	<u>(44,330)</u>	<u>(23,598)</u>	<u>-</u>	<u>(67,928)</u>
Total Accumulated Depreciation	<u>(44,330)</u>	<u>(23,598)</u>	<u>-</u>	<u>(67,928)</u>
Net Capital Assets	<u>\$119,230</u>	<u>\$ (23,598)</u>	<u>\$ -</u>	<u>\$(95,632)</u>

Depreciation expense charged to governmental activities was \$23,598.

NOTE H - LONG-TERM DEBT:

Long-term debt of the Cooperation is as follows:

	Balance 9-30-05	Additions	Retirements	Balance 9-30-06
General Long-Term Debt:				
Sick Leave Payable	<u>\$699</u>	<u>\$ 1,237</u>	<u>\$0</u>	<u>\$1,936</u>

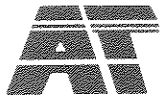
NOTE I – SINGLE AUDIT ACT:

A single audit as defined by the Single Audit Act of 1996, was not performed as federal financial assistance expended by the Cooperation was less than the \$500,000 that is required for single audit purposes.

OTHER FINANCIAL INFORMATION

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the year ended September 30, 2006

	UPRLC General	Continuing Education UPRLC	Accrued Sick Leave UPRLC	Automated Library Service Unreserved General	Totals
REVENUES:					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Membership	2,450	-	-	209,024	211,474
Contributions - United Way	7,619	-	-	-	7,619
Interest	-	-	-	3,099	3,099
Miscellaneous revenue	-	1,205	-	211	1,416
Sale Services - Rebilled	-	-	-	18,657	18,657
TOTAL REVENUES	10,069	1,205	-	230,991	242,265
EXPENDITURES:					
Professional and contractual	4,567	250	-	167,423	172,240
Repairs and maintenance	-	-	-	31,592	31,592
Transportation	-	-	-	2,468	2,468
Office supplies	153	-	-	697	850
Computer supplies	-	-	-	929	929
Communications	-	-	-	2,085	2,085
Capital outlay	-	-	-	828	828
Printing and publishing	-	440	-	-	440
Conferences	-	867	-	2,911	3,778
Operating supplies	-	-	-	3	3
Insurance	471	-	-	-	471
Miscellaneous	7,619	-	-	-	7,619
Rebilled	-	-	-	18,657	18,657
TOTAL EXPENDITURES	12,810	1,557	-	227,593	241,960
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(2,741)	(352)	-	3,398	305
OTHER FINANCING SOURCES (USES):					
Transfers in	-	311	1,237	-	1,548
Transfers out	(311)	-	-	(1,237)	(1,548)
TOTAL FINANCING SOURCES (USES)	(311)	311	1,237	(1,237)	-
CHANGE IN FUND BALANCES	(3,052)	(41)	1,237	2,161	305
Fund balances, beginning of year	25,806	3,041	699	104,386	133,932
FUND BALANCES, END OF YEAR	\$ 22,754	\$ 3,000	\$ 1,936	\$ 106,547	\$ 134,237



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Upper Peninsula Region of Library Cooperation, Inc.
Executive Board
Marquette, Michigan

We have audited the financial statements of the governmental activities and each major fund of Upper Peninsula Region of Library Cooperation, Inc. as of and for the year ended September 30, 2006, and have issued our report thereon dated January 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Upper Peninsula Region of Library Cooperation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Peninsula Region of Library Cooperation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Upper Peninsula Region of Library Cooperation, Inc.
Executive Board
Marquette, Michigan

This report is intended solely for the information and use of management, others within the organization, the Board and other federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

January 10, 2007